

May 16, 2012**\$721 Billion Deficit Through First Seven Months of FY 2012**

According to CBO, the federal government has run up a \$721 billion deficit in the first half of fiscal year 2012. This is higher than any **annual** deficit prior to FY 2009. To date, the federal government has spent **\$2.105 trillion**. Another way to put federal spending in perspective is, even with five months left in the fiscal year, the federal government has already spent more than any year prior to FY 2003. The federal government has collected \$1.384 trillion in taxes, which is up 6% so far this year compared to last year.

If the final deficit for FY 2012 exceeds \$1 trillion, as it is on track to do, this will be the fourth year in a row the deficit has exceeded this figure. Spending is also on track to exceed \$3 trillion, and this will also mark the fourth year in a row that this barrier has been broken (it never happened prior to FY 2009 in all of American history). 34.2% of all spending so far this year has come from borrowed money.

Fact of the Week: In the first seven months of FY 2012 (with 42% of the fiscal year remaining), the federal government spent more money than in any year prior to FY 2003.

Representative Ross Introduces Government Spending Accountability Act

Last month, Representative Ross (R-FL) introduced HR 4472, the Government Spending Accountability (“GSA”) Act. The purpose of the bill is to prevent waste, fraud, and abuse of taxpayer money in terms of spending on conferences, conventions or retreats. An infamous example of this was the “team-building” trip held by the General Services Administration in Las Vegas. The legislation:

- Reduces the travel budgets of an agency for fiscal years 2013 and 2014 by 50% of the total amount paid or reimbursed by that agency for fiscal year 2012.
- Reduces the travel budgets of an agency for fiscal year 2015 by 75% of the total amount paid or reimbursed by that agency for fiscal year 2012.
- No later than 30 days after the beginning of fiscal years 2014-2016, the head of each agency shall submit a report to the Oversight and Government Reform Committee in the House and the Homeland Security and Governmental Affairs Committee in the Senate detailing the total travel expenses paid or reimbursed by that agency.

Action Item: To become a sponsor of the legislation, please contact Anthony Foti in Representative Ross’s office at extension 5-1252 or Anthony.foti@mail.house.gov

Mulvaney Amendment to Defense Authorization Bill

Last year’s Budget and Control Act (BCA) limited the “base” military budget, but provides no cap on the “Overseas Contingency Operations” (OCO) budget. This provides a potential loophole to evade the BCA spending limits by moving money for regular activities to the uncapped OCO fund.

This year’s FY2013 Budget Request calls for shifting \$6.1 billion in basic compensation for military personnel from the “base” military budget to the OCO Budget. However, the GAO has stated base salaries for military personnel are not considered war-related. The troops associated with these costs are currently not deployed in overseas combat operations. Rather, they are part of the end strength reductions set to begin next year. This means the FY2013 OCO request is overstated by \$6.1 billion.

Representative Mulvaney (R-SC) has submitted an amendment to the FY 2013 Defense Authorization bill to transfer this \$6.1 billion back to the “base” budget. This makes no cuts in funding to military pay and benefits, but it preserves the integrity of current law by preventing a clear circumvention of the BCA caps.



For more information, please contact Brad Watson at x69719

THE WALL STREET JOURNAL.

Obama's History of Business Wall Street Journal Editorial

One of President Obama's campaign themes is that government spending—he calls it "investment"—is the source of most American economic progress. So eager is he to make this point that, well, let's just say he sometimes wanders beyond his area of expertise, as he did last Thursday in Seattle.

"When I hear people talk about the free enterprise system and entrepreneurship, I try to remind them, you know, all of us made that investment in Darpa [the Department of Defense Advanced Research Projects Agency] that helped to get the Internet started," said Mr. Obama. "So there's no Facebook, there's no Microsoft, there's no Google if we hadn't made this common investment in our future."

Microsoft—a product of the Internet? That may surprise Bill Gates and Paul Allen, who founded the software company in 1975. The company didn't introduce its first Internet browser for another 20 years, and in the meantime it became the dominant computer software company long before the Internet became economically important. The irony of Mr. Obama's error is that for much of Microsoft's history the Internet was seen as a threat to its desktop dominance.

There's no doubt that Darpa has done many good things, but the point Mr. Obama misses is that Darpa is engaged in funding research. This is a proper role for government, especially on national defense. But Darpa does not attempt to commercialize products. Facebook and Google, like Apple and Microsoft, were founded by private investors.

The President likes to elide that distinction between government funding for basic research and commercialization, which is how his Administration lost so much money on stinkers like Solyndra.

Mr. Obama indulged in similar government hype in his January State of the Union address when he suggested that federal research spending "led to the computer chip." Perhaps federal research made a contribution, but credit for building the first integrated circuit has generally been given to Jack Kilby at a company called Texas Instruments in 1958. Other innovations came from Bell Labs, Fairchild Semiconductor and Intel, among many other private firms.

The problem here is less Mr. Obama's historical errors than his emphasis. He really does believe that prosperity flows from government, which is why all of his policies promote more government.